

FITZGERALD KNAIER LLP

Kenneth M. Fitzgerald, Esq. (SBN: 142505)
 kfitzgerald@fitzgeraldknaier.com
 David M. Beckwith, Esq. (SBN: 125130)
 dbeckwith@fitzgeraldknaier.com
 Keith M. Cochran, Esq. (SBN: 254346)
 kcochran@fitzgeraldknaier.com
 402 West Broadway, Suite 1400
 San Diego, California 92101
 Tel: (619) 241-4810
 Fax: (619) 955-5318

WARREN LEX LLP

Matthew S. Warren, Esq. (SBN: 230565)
 16-463@cases.warrenlex.com
 Patrick M. Shields, Esq. (SBN: 204739)
 16-463@cases.warrenlex.com
 2261 Market Street, No. 606
 San Francisco, California 94114
 Tel: (415) 895-2940
 Fax: (415) 895-2964

Attorneys for Plaintiff and Counter Defendant
 ViaSat, Inc.

UNITED STATES DISTRICT COURT
 SOUTHERN DISTRICT OF CALIFORNIA

ViaSat, Inc.,
a Delaware corporation,

Plaintiff
 and Counter Defendant,

v.

Acacia Communications, Inc.,
a Delaware corporation,

Defendant
 and Counter Claimant,

) Case No.: 3:16-cv-00463-BEN-JMA
)
) **[REDACTED] ViaSat, Inc.'s**
) **Opposition to Acacia**
) **Communications, Inc.'s Motion for**
) **Summary Judgment Regarding No**
) **Liability**
)
) **[SUBJECT TO MOTION TO FILE**
) **UNDER SEAL]**
)
) Date: February 26, 2018
) Time: 10:30 a.m.
) Place: Courtroom 5A
) 221 West Broadway

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) San Diego, CA 92101
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) Dist. Judge: Hon. Roger T. Benitez
) Hon. Magistrate Jan M. Adler
) Case Initiated: January 21, 2016

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1 **I. INTRODUCTION AND SUMMARY OF ARGUMENT**

2 In 2015, plaintiff ViaSat, Inc. (“ViaSat”) accused defendant Acacia
3 Communications, Inc. (“Acacia”) of breaching the License Agreement by making
4 backwards compatible products (i.e., products capable of interoperating with royalty
5 bearing products using ViaSat’s soft decision forward error correction (“SDFEC”)
6 methods). Acacia responded by flatly denying that it made *any* use of ViaSat’s
7 SDFEC technology, ViaSat’s SDFEC Core, or “any variant or derivative thereof.”
8 Rather, Acacia claimed it “independently developed its own distinct product[s].”
9 After this suit was filed, Acacia doubled down on its “independent development”
10 story, stating in pleadings, discovery responses and in sworn testimony that it did not
11 copy or use ViaSat’s SDFEC specifications or *any* Licensed Material in developing
12 Acacia’s backwards compatible products.

13 Acacia made those statements because it knows that the License Agreement
14 prohibits Acacia from using ViaSat’s SDFEC design information, or ViaSat’s
15 SDFEC encoder and decoder specifications in non-royalty bearing products. Acacia
16 understood that under the License Agreement, it can develop its own non-royalty
17 bearing SDFEC modules only if it actually does so “independently,” “from scratch,”
18 and without using any of ViaSat’s Background Information or Licensed Materials.

19 As detailed in ViaSat’s Motion For Partial Summary Judgment (Dkt. No. 98-
20 1), the evidence overwhelmingly shows that Acacia lied about “independently
21 developing” the Accused Products. Acacia made extensive use of ViaSat’s SDFEC
22 technology in its development of backwards compatible products. *See, e.g.*, Dkt. No.
23 98-2 (Fitzgerald Dec., Exh. 1). Now that its factual claim of “independent
24 development” has been exposed as fraudulent, Acacia is changing tactics. In this
25 motion, Acacia now admits its Accused Products use six of ViaSat’s seven trade
26 secrets. Acacia effectively admits that it copied from ViaSat’s SDFEC module
27 specifications, which are specifically identified as “Licensed Materials” under the
28 contract. Acacia also effectively admits that it copied ViaSat’s source code from the

1 SDFEC encoder, which is part of the licensed SDFEC Core. Having been forced to
 2 abandon its previous defense of “independent development,” Acacia now contends
 3 that it was entitled to use these materials all along, without paying a royalty. Acacia
 4 bases this new position on three wholly new legal arguments, each based on a
 5 tortured misinterpretation of the parties’ License Agreement. These last ditch legal
 6 arguments fail.

7 First, Acacia argues that Section 3(b) of the License Agreement gives it a
 8 royalty-free license to use any of ViaSat’s technology it wants in conjunction with its
 9 own DSP technology. Acacia takes an isolated snippet from Section 3(b) entirely out
 10 of context, and urges the Court to construe those eleven words in a way that would
 11 flatly contradict at least four other contract provisions that unambiguously prohibit
 12 such use. *See, e.g.*, Exh. 1 § 4(a)¹ (“Use of the Licensed Materials for any product
 13 other than the Licensed Products is strictly prohibited . . .”). Acacia’s after-the-fact
 14 distortion of Section 3(b) would defeat the Agreement’s very purpose—to ensure
 15 that ViaSat receives royalties for Acacia’s use of ViaSat’s SDFEC technologies.
 16 While this Court can easily reject Acacia’s 3(b) argument by considering just the text
 17 of the contract itself, it is telling that Acacia spent years denying that it was making
 18 **any** use of ViaSat’s Licensed Materials or Background Information. If Acacia’s legal
 19 argument about having a license pursuant to Section 3(b) had any merit, Acacia
 20 would have made that assertion when it was first accused of breaching the contract.

21 Second, Acacia argues the Accused Products are not royalty bearing because,
 22 despite copying ViaSat’s specifications right down to the typos,² they did not
 23

24
 25 ¹ All exhibit citations are to exhibits to the Declaration of Kenneth M. Fitzgerald In
 26 Support Of ViaSat’s Opposition. Deposition excerpts are cited by the exhibit
 27 number of the deponent’s transcript excerpts followed by the name of the deponent
 28 and the page and line cite, e.g., “Exh. 5 (Martin) 163:13-164:14.”

² *See* Dkt. No. 98-2 (Fitzgerald Dec., Exh. 1)

1 physically “incorporate” the specifications or other Licensed Materials into the
 2 Accused Products. According to Acacia, even if the *substance* of its SDFEC Core is
 3 the same as Everest, the *form* of it is different than ViaSat’s low level specifications
 4 detailing that substance. This is sophistry. By copying ViaSat’s design documents
 5 verbatim, Acacia built products with a nearly identical design, using the same
 6 SDFEC technology. It was not necessary for Acacia to physically engraft the
 7 English language specification documents (in Microsoft Word) into the hardware of
 8 its Accused Products to wrongfully “incorporate” ViaSat’s Licensed Materials.
 9 Acacia’s incredibly narrow interpretation of the word “incorporate” is simply
 10 unreasonable, and must be rejected.

11 Third, Acacia argues the materials it copied are not part of the “SDFEC
 12 Core” as that term is defined under the contract. The License Agreement does not
 13 define SDFEC Core as meaning only encrypted source code and “ASIC netlists,” as
 14 Acacia asserts in its motion. Acacia cites no extrinsic evidence to support this
 15 opportunistically narrow definition, and its attempt to use a Statement of Work to
 16 create that definition fails. And even if Acacia did not cut and paste portions of
 17 ViaSat’s encrypted source code or ASIC netlists, the evidence shows that Acacia
 18 misused pretty much every other category of SDFEC information it received from
 19 ViaSat under the Agreement—including Viasat’s SDFEC design, ViaSat’s proprietary
 20 TPC structure, its unencrypted source code, many pages of low-level technical
 21 specifications, and SDFEC software simulation tools. All of these are Licensed
 22 Materials, and the contract requires royalties to be paid on any products “that
 23 incorporate all or any part of the Licensed Materials,” including all “manuals and
 24 documentation” provided by ViaSat for the SDFEC Core. Exh. 1 §§ 1(k), 1(l).

25 Acacia’s defenses against ViaSat’s trade secret misappropriation claim fares no
 26 better. Acacia admits it uses ViaSat’s Trade Secrets 1-6 in the backwards compatible
 27 modes of the Accused Products. This alone sinks Acacia’s motion. To the extent
 28 Acacia argues it uses the trade secrets in only *part* of the Accused Products, that is

1 irrelevant. To the extent Acacia's argument is based on its Section 3(b) license
 2 contention, it fails for the reasons stated above. And to the extent Acacia bases its
 3 argument on the contentions of the parties' expert witnesses, those experts disagree,
 4 raising genuine issues of material fact. In sum, Acacia's motion should be denied in
 5 its entirety.

6 II. FACTS

7 In support of its own motion for summary judgment, ViaSat presented a
 8 detailed factual account that conclusively proves Acacia's liability for both breach of
 9 contract and the misappropriation element of ViaSat's trade secret claims. *See* Dkt.
 10 No. 98-1 and supporting exhibits. In its present motion, Acacia does not deny
 11 copying and using Background Information and Licensed Materials. Acacia
 12 nevertheless states in passing that "ViaSat should have dropped its case when it
 13 realized that Acacia independently developed the Accused Products." Dkt. No. 83-1
 14 at 5:17-18. This gratuitous swipe is blatantly false. The evidence of Acacia's use of
 15 ViaSat's specifications and code is overwhelming and undisputed. Dkt. No. 98-1.
 16 But the facts most pertinent to Acacia's pending motion are set forth below.

17 A. ViaSat's SDFEC Technology and Background Information

18 In 2009, Acacia set out to develop 100 Gigabit per second fiber optic
 19 modems that can send large quantities of data over long distances. A key
 20 component of these modems are Application Specific Integrated Circuit ("ASIC")
 21 chips, which contain "blocks" or "modules" that perform both digital signal
 22 processing (or "DSP") and SDFEC (or FEC) functions on the messages being sent.
 23 After Acacia signed a Non-Disclosure Agreement, and before the License
 24 Agreement was signed, ViaSat provided Acacia with confidential details about its
 25 proprietary SDFEC design. For instance, on June 12, 2009, ViaSat sent Acacia a
 26 White Paper recommending that Acacia use a specific FEC type [REDACTED]

27 [REDACTED]. Exh. 27.
 28 Before receiving this recommendation from ViaSat, Acacia had been contemplating

1 using [REDACTED]

2 [REDACTED]. See Exh. 26.

3 After the Agreement was signed, ViaSat provided further details of its FEC
4 technologies to Acacia, including in detailed low-level design specification
5 documents.³ For example, ViaSat provided Acacia with over 20 different versions of
6 a document entitled “Low Level Design Specification SDFEC Encoder for the
7 Coherent Optical Receiver Demodulator”, which contained pages of technical
8 details regarding just the design of ViaSat’s SDFEC encoder module. Gary Martin, a
9 lead FEC engineer on the Sky, Denali and Meru projects, testified that [REDACTED]

10 [REDACTED]
11 [REDACTED] Exh. 5 (Martin)

12 62:23-63:17 (emphasis added). Pierre Humblet testified similarly that [REDACTED]

13 [REDACTED]
14 [REDACTED] Exh. 6

15 (Humblet) 36:24-37:8.

16 As Acacia’s motion implicitly concedes, and as the undisputed facts show (*see*
17 Dkt. No. 98-1, 98-2) Acacia copied ViaSat’s SDFEC technology, source code, and
18 technical specifications to build backwards compatible products on which it refuses
19 to pay ViaSat royalties. Acacia copied wholesale the key aspects of ViaSat’s SDFEC
20 design (referred to by the parties as “Everest”), as reflected in the numerous identical
21 figures and technical descriptions of the encoding and decoding techniques for
22 ViaSat’s TPC code.⁴ See also Exh. 5 (Martin) 134:23-135:10; Exh. 7 (Monsen) 101:21-

23
24 3 ViaSat’s low-level specifications contained enough detail to enable Acacia to fully
25 design its backwards compatible FEC for the Accused Products. Dave Dec. ¶¶ 5-6.
26 4 Acacia’s copying necessarily extended to even the allegedly undesirable features of
27 ViaSat’s SDFEC. See Exh. 35 [Depo. 128] [REDACTED]
28 [REDACTED]

1 111:13; Exh. 8 (Rasmussen) 196:13-215:5, 219:12-221:19; Exhs. 5, 7 8.⁵ Indeed,
 2 Acacia concedes that it uses ViaSat’s claimed secrets in its backwards compatible
 3 products: “*There is no dispute* that interoperability between the Accused Products and
 4 the Royalty bearing Products *requires* at least the first six of ViaSat’s seven [asserted
 5 trade secrets],” and “the Accused Products *all* have such interoperability modes.”
 6 Dkt. No. 83-1 at 16:24-25 (emphases added).⁶

7 Previously, however, Acacia repeatedly denied using ViaSat’s SDFEC
 8 intellectual property in developing the backwards compatible products. Exhs. 29,
 9 30, 2, 3, 4, 31. Indeed, in its discovery responses served under Rule 11, Acacia
 10 denied using any ViaSat supplied SDFEC information whatsoever. Exh. 22 (Acacia
 11 Supplemental Responses to ViaSat Request For Admission) at 5-6. *Cf.* Exh. 21
 12 (ViaSat’s Amended Trade Secret Designation), Exh. 22 at 6 (Acacia’s Supplemental
 13 Response to Request For Admission Nos. 19 (Trade Secret 1), 23 (Part of Trade
 14 Secret 2), 24 (Trade Secret 3): “Acacia specifically denies the requested admission.”)
 15 with Dkt. No. 83-1 at 16:22-23 (“ViaSat’s Alleged Trade Secrets Are Required For
 16 Backward Compatibility, and Thus Are Licensed.”). By arguing in its motion that it
 17 has a license to use these materials under Section 3(b), Acacia now seems to finally
 18 concede the truth—that it used ViaSat’s Licensed Materials and trade secrets. But
 19 the contract language shows that Acacia had no right to do so.

20 **B. The License Agreement**

21 The License Agreement required ViaSat to develop intellectual property cores,
 22 specifically a “DSP Core,” and an “SDFEC Core,” for use in Acacia’s 100 Gbps
 23 optical transport chip. The “SDFEC Core” included both an encoder and a

24
 25 ⁵ The Meru specifications just indicate [REDACTED]
 26 [REDACTED] Exh. 32 at 3.

27 ⁶ Dkt. No. 83-1 is a redacted version of Acacia’s brief; the unredacted version was
 28 lodged under seal by Acacia. *See* Dkt. Nos. 81-82.

1 decoder. Exh. 5 (Martin) 92:18-25; Exh. 11 (Shah) 63:24-64:4; *see also* Exh. 28 at
 2 ACI039418 (Acacia-created block diagram showing [REDACTED]
 3 [REDACTED] The parties defined three classes of information –
 4 “Background Information,” “Foreground Information,” and “Licensed Materials.”
 5 The parties agreed that Acacia would own intellectual property rights in the DSP
 6 Core, meaning the specific implementation of ViaSat’s pre-existing DSP technology
 7 that ViaSat would develop and deliver to Acacia under the contract. Ex. 1 § 3(a).

8 “Background Information,” which is owned by ViaSat, means “*all Intellectual*
 9 *Property Rights and other design data and information* either (a) owned or licensed by
 10 VIASAT prior to the Effective Date” of the License Agreement, or developed or
 11 licensed by ViaSat separate and apart from the parties’ agreement. *Id.* § 1(b)
 12 (emphases added). “Background Information shall also include all technical data,
 13 manuals and other documentation and data related to any of the foregoing. For the
 14 sake of clarity, and without limiting the foregoing, the SDFEC Core shall be deemed
 15 Background Information.” *Id.* Thus, ViaSat has exclusive ownership of the SDFEC
 16 Core, including all SDFEC design data, documentation and information furnished
 17 by ViaSat, and any SDFEC information jointly developed by the parties pursuant to
 18 the Agreement. *Id.* at §§ 1(b); 1(k); 8(a).

19 The License Agreement also provided that the “SDFEC Core” developed
 20 under the contract was a “Licensed Material.” *Id.* § 1(k). “Licensed Materials” also
 21 include “all changes, additions, revisions, replacements, *manuals and documentation*” for
 22 the SDFEC Core “which VIASAT may provide under this Agreement.” *Id.*
 23 (emphasis added). The parties agreed that Acacia would not use any of the Everest
 24 SDFEC *design*, including any documentation thereof, regardless of whether it was
 25 initially provided by ViaSat or developed jointly between ViaSat and Acacia, except
 26 in royalty-bearing products. *Id.* at § 4(a).

27 All Acacia integrated circuits that incorporate “all *or any part* of the Licensed
 28 Materials” are deemed Licensed Products and Royalty Bearing Products, meaning

1 Acacia must pay ViaSat a royalty on them. Exh. 1 at §§ 1(b), 1(k), 1(l), 1(m), 4(a),
 2 4(b). Acacia also agreed that “all Intellectual Property Rights in the Background
 3 Information and the Licensed Materials are and will remain the sole property of
 4 VIASAT, including all modifications, improvements, and derivative works relating to
 5 the Background Information and Licensed Materials, including but not limited to all
 6 modifications, improvements, and derivative works requested or suggested by
 7 ACACIA.” *Id.* § 8(a). Consistent with this, Acacia agreed it would not “reverse
 8 engineer” or “prepare derivative works of any Background Information and/or
 9 Licensed Materials . . . *except with respect to the purposes of the Licensed Products.*” *Id.* § 8(b)
 10 (emphasis added).

11 As Acacia’s 30(b)(6) witness admitted in deposition, [REDACTED]
 12 [REDACTED]
 13 [REDACTED]

14 Exh. 11 (Shah)
 15 69:21-70:5, 73:17-74:19, 81:6-13; 89:20-25. Under the License Agreement, Acacia
 16 could use the Licensed Materials, including those technical specifications “*solely* for
 17 the design, simulation, implementation and manufacture of Licensed Products,” that
 18 is products on which Acacia paid ViaSat royalties. Exh. 1 at 5 § 4(a) (emphasis
 19 added). Section 4(a) of the License Agreement also provided that: “*Use of the Licensed*
 20 *Materials for any product other than the Licensed Product is strictly prohibited* unless ACACIA
 21 has entered into a separate written Agreement with VIASAT for such use.” *Id.*
 22 (emphasis added).

23 III. ARGUMENT

24 A. Section 3(b) Does Not Excuse Acacia’s Theft of ViaSat’s SDFEC

25 When interpreting a contract, the court should give effect to every provision
 26 in a contract, choosing an interpretation that harmonizes each provision, rather than
 27 one in which contradictions result. *Counsel of the Dorset Condo. Apartments v. Gordon*,
 28 801 A.2d 1, 7 (Del. 2002). That basic rule of contract interpretation defeats Acacia’s

1 argument about Section 3(b), the linchpin on which most of Acacia's motion rests.

2 Rather than furnishing the Court up-front with the full language of the
 3 operative provision of the License Agreement, Acacia first resorts to badly abridged
 4 quotes from the excerpts of Section 3(b) to argue that it had a license to use ViaSat's
 5 SDFEC technology however it wanted. Dkt. No. 83-1 at 1:17-19 ("This fully paid-
 6 up license allows Acacia to use ViaSat's technology in any way necessary to 'fully . . .
 7 use[]' or 'otherwise exploit[]' the Foreground Information."); *id.* at 1:19-22 (Section
 8 3(b) "allows Acacia to make and sell products compatible (sometimes called
 9 'backward compatible') with earlier, royalty bearing products, so as to allow the 'full[]
 10 . . . exploit[ation]' and 'use[]' of the Foreground Information."). In these passages
 11 and elsewhere, Acacia lifts a few words from the full text in which they appear,
 12 rather than disclosing the context in which those cherry-picked words appear.
 13 Section 3(b), states in full:

14 If any part of the Foreground Information is based on, incorporates or
 15 is an improvement or derivative of, or cannot be reasonably and fully
 16 made, used, reproduced, modified, distributed or otherwise exploited,
 17 without using any Background Information, then VIASAT hereby
 18 grants and agrees to grant to ACACIA a limited, nonexclusive,
 19 perpetual, irrevocable, worldwide, royalty-free, sublicensable right and
 20 license to make, have made, use and have used, sell, import, export,
 21 reproduce, modify and make derivative works of such Background
 22 Information *for the sole and exclusive purpose of design,
 simulation, implementation, manufacture, and sale of Licensed
 Products* (including any modification, improvements and derivatives to
 Licensed Products) or otherwise in connection with ACACIA's
 exploitation of the Foreground Information.

23 Exh. 1 (emphasis added). Acacia omits the italicized language "for the sole and
 24 exclusive purpose of design, simulation, implementation, manufacture and sale of
 25 Licensed Products" through most of its discussion of Section 3(b), for the obvious
 26 reason that this language defeats Acacia's argument.

27 There are two possible interpretations of the phrase "or otherwise in
 28 connection with ACACIA's exploitation of the Foreground Information." One is

that the phrase further expands how Acacia may make *restricted use* of the Background Information, “for the sole and exclusive purpose” of Licensed Products. Under this interpretation, so long as Acacia is using the Background Information for Licensed Products, it may go beyond the enumerated activities of “design, simulation, implementation, manufacture, or sale of Licensed Products.” It may, for example, test Licensed Products incorporating Background Information, market them, advertise them, communicate with customers about them, prepare specifications and product sheets about them, display them at trade shows, or otherwise do things attendant to selling Licensed Products incorporating ViaSat’s Background Information. This “or otherwise” catch-all permits additional activities that are not encompassed within the specifically enumerated activities of “design, simulation, implementation, manufacture, and sale,” but nevertheless remain subject to the restriction that such Background Information may be used “sole[ly] and exclusive[ly]” in connection with Licensed Products.

The other interpretation is that the “or otherwise” phrase creates a broad, royalty-free license for Acacia to use any of ViaSat’s Background Information however it wants, as long as that use also exploits the Foreground Information, i.e., the DSP Core. This is Acacia’s interpretation, but it makes no sense. If read this way, the “or otherwise” exception would render meaningless the numerous other restrictions appearing throughout the contract that limit Acacia’s use of Background Information and Licensed Materials to Licensed Products. These provisions include:

- Acacia received a “limited . . . license (i) to make, have made, use, reproduce and make derivative works of the Licensed Materials, *solely* for the design, simulation, implementation and manufacture of Licensed Products, and (ii) to . . . sell . . . Licensed Products incorporating the Licensed Materials on a worldwide basis. *Use of the Licensed Materials for any product other than the Licensed Product is strictly prohibited unless ACACIA has entered into a separate written Agreement with VLASAT for such use.*” § 4(a) (emphases added).
- ““Permitted Use”” means use by Acacia of the Licensed Materials in accordance with Clause 4.” § 1(n).

- 1 • Acacia’s license was expressly conditioned on Acacia’s “payment of a
per unit Recurring Royalty Fee.” § 4(b).
- 2 • Acacia agreed that “all Intellectual Property Rights in the Background
3 Information and the Licensed Materials” remain ViaSat’s property,
4 including any “modifications, improvements, and derivative works
5 requested or suggested by ACACIA.” § 8(a).
- 6 • “ACACIA may not modify or prepare derivative works of any
Background Information and/or Licensed Materials it receives from
7 VIASAT under this Agreement in whole or in part, except with
8 respect to the purposes of Licensed Products.” § 8(b).
- 9 • “Licensed Products” is defined to include “*any* integrated circuits . . .
that incorporate all *or any part* of the Licensed Materials (regardless of
whether or not the Licensed Materials are enabled or disabled in such
Licensed Product). § 1(l).

10 If Acacia were correct, the Court would have to read all of these restrictive
11 provisions out of the License Agreement. Courts reject such unreasonable
12 interpretations. *Delta & Pine Land Co. v. Monsanto Co.*, 2006 WL 1510417, at *4 (Del.
13 Ch. May 24, 2006) (“contracts must be interpreted in a manner that does not render
14 any provision ‘illusory or meaningless.’”). The meaning inferred from a particular
15 provision cannot control the meaning of the entire agreement if such an inference
16 conflicts with the agreement’s overall scheme or plan. *GMG Capital Investments, LLC*
17 *v. Athenian Venture Partners I*, 36 A.3d 776, 779 (2012). Acacia’s interpretation would
18 counteract the entire scheme of the License Agreement, and it is the less reasonable
19 of the two competing interpretations. Moreover, “specific language in a contract
20 controls over general language, and where specific and general provisions conflict,
21 the specific provision ordinarily qualifies the meaning of the general one.” *DCV*
22 *Holdings, Inc. v. ConAgra, Inc.*, 889 A.2d 954, 961 (Del. 2005). The specific provisions
23 cited above control here, even if the Court questions whether the more general “or
24 otherwise” phrase in Section 3(b) presents a conflict.⁷

25
26
27 ⁷ While ViaSat’s 30(b)(6) witness was unclear on the phrase “or otherwise in
28 connection with Acacia’s exploitation of the Foreground Information,” he did testify
clearly that Acacia had the right under Section 3(b) to use ViaSat’s Background

1 If Acacia were correct about Section 3(b) standing alone, it would simply say
 2 that Acacia has a license to use the Background Information in order to exploit the
 3 Foreground Information. Period. Or, if re-written to have the meaning Acacia
 4 would give it, Section 3(b) would appear as follows:

5 If any part of the Foreground Information is based on, incorporates or is an
 6 improvement or derivative of, ~~or cannot be reasonably and fully made, used,~~
 7 ~~reproduced, modified, distributed or otherwise exploited, without using any~~
 8 Background Information, then VIASAT hereby grants and agrees to grant
 9 to ACACIA a limited, nonexclusive, perpetual, irrevocable, worldwide,
 10 royalty-free, sublicensable right and license to make, have made, use and
 11 have used, sell, import, export, reproduce, modify and make derivative
 12 works of such Background Information ~~for the sole and exclusive purpose of~~
 13 ~~design, simulation, implementation, manufacture, and sale of Licensed Products~~
 14 ~~(including any modification, improvements and derivatives to Licensed~~
 15 ~~Products) or otherwise~~ in connection with ACACIA's exploitation of the
 16 Foreground Information.

17 Acacia's interpretation would also re-write the phrase in 3(b) limiting Acacia's
 18 right to use Background Information for one purpose - Licensed Products, by
 19 changing "for the sole and exclusive *purpose*," which is singular, to "for the *purposes* of
 20 design, simulation . . . and sale of Licensed Products and otherwise in connection
 21 with ACACIA's exploitation of the Foreground Information."

22 The sophistry in Acacia's argument is evident in the manner in which Acacia
 23 finally presents the complete text of Section 3(b). Rather than setting forth the text
 24 of Section 3(b) as written, Acacia employs the artifice of inserting "part numbers"
 25 before each of the phrases it would have the Court separate out from one another.
 26 Dkt. No. 83-1 at 12:4-13. Those part numbers do not appear in the actual language
 27 of the Agreement. Only by artificially separating Acacia's manufactured parts 3 and
 28 4 can Acacia even make its argument sound plausible. Acacia is advocating that the

Information for a licensed product, but did not have a right to use Background
 Information for unlicensed products. Exh. 12 (Fuerst) 166:2-22.

1 Court separate part [4] from part [3], and indeed from the entire Agreement as a
2 whole. This is not how contracts are interpreted.

3 In sum, ViaSat's interpretation is consistent with the entirety of Section 3(b)
4 as written, and with the rest of the Agreement. Acacia's interpretation - would
5 render all of the restrictive provisions meaningless. It would effectively negate the
6 entire purpose and premise of the contract – to allow ViaSat to earn a royalty for
7 Acacia's use of ViaSat's SDFEC technology, while giving ownership of the jointly
8 developed DSP technology to Acacia. Where one interpretation of an ambiguous
9 provision gives effect to the remaining language in a contract and the other does not,
10 the Court must adopt the former, and reject the latter. *Elliott Associates, L.P. v.*
11 *Auatex Corp.*, 715 A.2d 843, 854 (Del. 1998).

12 “In giving effect to the parties’ intentions, it is generally accepted that the
13 parties’ conduct before any controversy has arisen is given great weight.” *Mrs. Fields*
14 *Brand, Inc. v. Interbake Foods LLC*, 2017 WL 2729860, at *17 (Del. Ch. June 26, 2017);
15 *Radio Corp. of Am. v. Philadelphia Storage Battery Co.*, 6 A.2d 329, 340 (Del. 1939).
16 When ViaSat confronted Acacia about its backwards compatible products, there was
17 no controversy over what the License Agreement meant. Acacia knew that it was
18 prohibited from using ViaSat's Background Information and specifications, so
19 Acacia denied that it did so. Acacia never claimed, either to ViaSat, or in its own
20 internal emails, that it had a royalty-free license to use Background Information
21 however it wished. *See* Exh. 31. That argument is a contrivance of litigation, belied
22 by Acacia's own conduct.

23 The right to use Background Information under Section 3(b) is also limited,
24 by its plain language, to information without which the Foreground Information
25 cannot be “reasonably and fully” used. Citing no evidence, Acacia claims that it
26 “could not freely and fully use the Foreground Information” without a royalty-free
27 license to ViaSat's Background Information. Dkt. No. 83-1 at 11:17-18. This is
28 obviously false.

1 Acacia was fully able to use the Foreground Information and DSP Core
 2 without backwards compatibility. **By its own admission, Acacia did so.** Dkt. No.
 3 83-1 at 3:13-15 (“Acacia later realized that backward compatibility with Everest
 4 provided little actual value, and dropped it from products after Meru.”). Indeed, in
 5 its zeal to downplay the value of ViaSat’s SDFEC technology, Acacia’s witnesses

6 [REDACTED]
 7 [REDACTED] Exh. 9 (Mikkelson) 71:23-73:5; 78:12-80:17; 116:18-120:25; 127:6-24;
 8 Exh. 5 (Martin) 189:16-190:22; 118:7-12; 160:9-17; 158:7-18; Exh. 8 (Rasmussen)
 9 78:14-79:11; Exh 10 (Pellach) 176:10-17; 263:5-8; Exh. 6 (Humblet) 184:20-185:19.

10 That customers valued backwards compatibility does not mean Acacia cannot
 11 exploit the Foreground Information without it. Acacia was and is fully able to use
 12 the Foreground Information and DSP Core without using ViaSat’s SDFEC Core or
 13 Background Information. Dave Dec. ¶ 7. Acacia did exactly that [REDACTED]

14 [REDACTED]
 15 Acacia attempts to mislead the Court when asserting that the parties
 16 specifically negotiated a license in Section 3(b) to allow Acacia to develop backwards
 17 compatible products. Dkt. No. 83-1 at 15: “Indeed, that backwards compatibility
 18 was important to Acacia early on, and explains why it insisted on adding ‘or
 19 otherwise in connection with ACACIA’s exploitation of the Foreground
 20 Information’ to the contract. (Ex. 8 ¶¶ 69-72).” There is no evidence that Acacia
 21 ever raised backwards compatibility as an issue in the contract negotiations, much
 22 less any evidence that it insisted on the “or otherwise” language because “backwards
 23 compatibility was important to Acacia early on.” Exhibit 8, the “evidence” cited to
 24 support this assertion, is not any negotiating history of the License Agreement. It is
 25 Acacia’s expert’s report on damages, and paragraphs 69-72 discuss [REDACTED]

26 [REDACTED]
 27 [REDACTED] Acacia’s assertion about the
 28 origin of the “or otherwise” language is a fabrication.

1 Acacia's assertion that it added the "or otherwise" language also works against
 2 it. Acacia provides no evidence of any communications between the parties over
 3 this phrase, which arguably contradicts other provisions of the agreement. The
 4 resulting ambiguity must be construed against Acacia, the party which created it. *See*
 5 *Twin City Fire Ins. Co. v. Delaware Racing Ass'n*, 840 A.2d 624, 630 (Del. 2003) (Under
 6 the "contra proferentem principle of construction," ambiguities in a contract should
 7 be construed against the drafter.).

8 Finally, Acacia argues that because a draft definition of Licensed Products
 9 once included products that "were designed using any of the Licensed Materials,"
 10 and because that language is omitted from the final version of the definition, Acacia
 11 was free to use Licensed Materials to design the Accused Products. Dkt. No. 83-1 at
 12 8-9. This argument ignores that the final contract already *directly and expressly prohibits*
 13 Acacia from using Licensed Materials for any activity other than creating royalty
 14 bearing, Licensed Products. Exh. 1 § 4(a) (Licensed Materials may be used "solely
 15 for the design, simulation, implementation and manufacture of Licensed Products . .
 16 . ."); *id.* § 8(b) ("ACACIA may not modify or prepare derivative works of any
 17 Background Information and/or Licensed Materials . . . in whole or in part, except
 18 with respect to the purposes of the Licensed Products."). Because of these and
 19 other provisions, it was not necessary to also enshrine the very same prohibition in
 20 the definition of Licensed Products, as this would have been surplusage.

21 **B. Acacia's "Incorporation" Argument Is Specious**

22 Acacia argues that the Accused Products do not "incorporate" the manuals
 23 and documentation provided by ViaSat with the Everest SDFEC. Remarkably,
 24 Acacia seems to contend it can only be liable if ViaSat's specifications (Word
 25 documents printed on paper) were physically placed into the ASIC chips in the
 26 Accused Products. This bizarre contention defies common sense, ignores the
 27 substance of the contract, and misapprehends the nature of the protected
 28 information in ViaSat's specifications. If an architect's blueprints were protected by

1 contract, and a developer copied those blueprints and constructed an identical
 2 structure, it would be no defense that the new building was not made out of
 3 blueprint paper. And if a novel in English were reprinted without permission in
 4 French, one could not credibly argue that the French version did not incorporate the
 5 original because the language was different.

6 ViaSat provided Acacia with a *design*, based on a unique and proprietary TPC
 7 code, first described in the confidential (Background Information) White Paper.

8 ViaSat's design – intangible intellectual property - is further reflected in the many
 9 pages of low level design specifications ViaSat delivered to Acacia for the SDFEC
 10 Core components. Indeed, Acacia admits that [REDACTED]

11 [REDACTED]
 12 [REDACTED] Exh. 5 (Martin) 62:23-63:17; *see also* Dave
 13 Dec. ¶¶ 5-6. While Acacia may have written its own RTL code for the decoder
 14 (having copied source code from the encoder), it did so by using ViaSat's low-level
 15 specifications as a manual. Virtually all the information necessary to write RTL code
 16 to match ViaSat's proprietary SDFEC Core design can be found in ViaSat's low-level
 17 specifications (i.e., the Licensed Materials). *See id.*

18 Acacia provides no evidence supporting its argument that the specifications
 19 contained only “general concepts.” As their very name demonstrates, these were
 20 “low level specifications” with detailed design information. They were not “high-
 21 level” overviews with only general concepts. Acacia's representations to the Court
 22 about the proprietary nature of its own specifications make this clear. *See* Dkt. No.
 23 42-2 ¶¶ 8-10; Dkt. No. 49 at 6. Acacia's witnesses also confirm that [REDACTED]

24 [REDACTED] *See* Exh. 8 (Rasmussen) 69:2-8;
 25 Exh. 6 (Humble) 239:16-25, 241:20-242:11 [REDACTED]
 26 [REDACTED]; Exh. 39 ([REDACTED])

27 [REDACTED] (Exh. 33 at
 28 ACI034087): [REDACTED]

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[REDACTED]

[REDACTED]”).

Amplifying its meritless “general concepts” argument, Acacia suggests the License Agreement is an unenforceable agreement not to compete, but the law enforces contractual agreement to refrain from using specified information, regardless of whether the information rises to the level of a trade secret. *HiRel Connectors, Inc. v. U.S.*, 2006 WL 361008 *1 (C.D. Cal. July 18, 2006) (“Plaintiff’s claim for breach of contract survives even if it is based solely on disclosure of the information [that] the Court has already determined are not protectable as trade secrets.”); *Ajaxo Inc. v. E*Trade Group, Inc.*, 135 Cal. App. 4th 21, 62 n.38 (2005); see also *Fink v. Goodson-Todman Enterprises, Ltd.*, 9 Cal. App. 3d 996, 1008 (1970); *Gunther-Wahl v. Mattel*, 104 Cal. App. 4th 27, 41-42 (2002); *Benay v. Warner Bros. Entertainment, Inc.*, 607 F.3d 620, 631 (9th Cir. 2010).

Moreover, it is undisputed that [REDACTED]
Exh. 5 (Martin) 69:19-21 [REDACTED]
[REDACTED]
[REDACTED]).

Acacia had no license to do so, under any theory.

C. Acacia’s SDFEC Core Definition Is Wrong

Despite admitting that it uses at least six of ViaSat’s SDFEC trade secrets, and although Acacia copied large swaths of information from ViaSat’s low-level SDFEC design specifications, Acacia argues it has no liability because any information that it took from ViaSat is not part of the “SDFEC Core.” Acacia’s argument depends entirely on just one sentence in its brief: “Thus, the SDFEC Core that constitutes Licensed Materials consists of (1) an ASIC netlist, and (2) encrypted RTL provided under the Agreement.” Dkt. No. 83-1 at 6:18-20. Acacia’s definition is inconsistent with the body and substance of the Agreement.

SDFEC Core is not specifically defined in the Agreement, but it appears in the third recital, where Acacia states it wishes to commission ViaSat to undertake the

development of “an IP core for Soft Decision Forward Error Correction Decoder and Encoder (the ‘SDFEC Core’)” Exh. 1 at 1. SDFEC Core is thus defined here as “an IP core.” It is not limited to synthesized netlists or RTL code. Elsewhere in the Agreement, the SDFEC Core is included within the definition of Licensed Materials, and Licensed Materials are defined to mean the SDFEC Core “in whatever form provided,” and including all “manuals and documentation thereto which VIASAT may provide under this Agreement.” *Id.* § 1(k).

Acacia cites the Agreement’s Exhibit A as alleged support for its definition, but Exhibit A does not even purport to define “SDFEC Core.” It is a Statement of Work, specifying what ViaSat must do and deliver to complete its obligations. Acacia cites § 3(b) of the Statement of Work, but fails to mention this additional language from that section: “Design documentation . . . will be delivered to Acacia by ViaSat, as indicated below, as part of the complete design effort.” Exh. 1. The table below that text includes ViaSat’s “Architecture Specification,” and “Design Specifications,” which “detail[] micro architecture design of each IP block. It contains block descriptions, implementation details, interfaces, register map, control mechanism and any other details required.” *Id.* Put simply, Acacia’s definition of SDFEC Core is not proven by Exhibit A.

Moreover, while Acacia now claims that *Exhibit A* defines SDFEC Core, its own expert opined that [REDACTED]

[REDACTED] Vardy Report 56-57 [REDACTED]

[REDACTED] Testimony about usage of “IP core” in the industry is that it includes the “design, the verification, the documentation, the code itself, performance specification requirements.” Exh. 12 (Fuerst) 256:22-257:5. In sum, based on the broad definition of SDFEC Core in the actual Agreement and in the understanding of the parties, Acacia’s narrow definition

cannot be accepted.⁸

D. The Accused Products Indisputably Use ViaSat's Trade Secrets 1-6

Acacia concedes that its Accused Products necessarily use Trade Secrets 1-6 to make them backwards compatible with Everest. Acacia's use of these trade secrets in violation of the contract constitutes misappropriation. *See PMC, Inc. v. Kadisha*, 78 Cal. App. 4th 1368, 1383 (2000); *Ajaxo, Inc. v. E*Trade, Inc.*, 135 Cal. App. 4th 21 (2006); *Mattern & Associates v. Seidel*, 678 F. Supp. 2d 256 (D. Del. 2010) (applying DUTSA). It is no defense that ViaSat's trade secrets are only used in the backwards compatible mode of Acacia's Accused Products (a fact issue that is also disputed). Those products incorporate ViaSat's trade secrets, because those products have backwards compatible modes. Acacia's arguments about not using the trade secrets "in non-backward compatible modes" are therefore irrelevant, and do not warrant dismissal of ViaSat's claim.

E. Triable Issues of Fact Exist as to Trade Secrets 1 and 3 In Non-Backwards Compatible Modes

ViaSat's expert Dr. Houssoun determined that [REDACTED] Exh. 16 (Hassoun) 115:10-116:21; Exh. 19 (Hassoun Report) at p. 53, 56-58. He also determined that [REDACTED] Exh. 19 (Hassoun Report) at p. 58, 61-62. Finally, he concluded that [REDACTED]. *Id.* (Hassoun Report) at p. 84, 87-88, 92-93. This evidence is sufficient to raise a triable issue of

⁸ Acacia also argues that ViaSat's experts did not identify "a single instance where Acacia used any part of the 'ASIC netlist' or 'encrypted RTL' provided under the Agreement." Dkt. No. 83-1 at 7:1-2. This argument obfuscates the scope of ViaSat's expert reports. They concluded, [REDACTED] Exh. 19 (Hassoun Report) at 4, 48-153; Exh. 17 (Narayanan Report) at 77-183. Since those trade secrets come from the Licensed Materials and Background Information, nothing more is required to establish Acacia's liability.

fact as to the non-backwards compatible modes of these Accused Products and these trade secrets.

F. The Accused Products Used Trade Secret 2

Acacia admits Trade Secret 2 is required for the backwards compatibility in the Accused Products. Exh. 18 (Vardy Report) ¶ 84, 214. But contradicting itself, Acacia also argues those products do not use it, because [REDACTED]. Acacia's expert was unwilling to render any such opinion. Exh. 14 (Vardy) 214:19-215:19. ViaSat's expert Dr. Hassoun specifically determined that [REDACTED] Exh. 19 (Hassoun Report) at 63-83. As Dr. Hassoun explained, [REDACTED] Exh. 16 (Hassoun Depo.) 125:20-126:13, 128:25-129:8. Thus, the evidence shows Acacia's products utilize ViaSat Trade Secret 2.

G. The Accused Products Use Trade Secret No. 7

ViaSat's expert [REDACTED] Exh. 19 (Hassoun Report) at 146-156. He explains that [REDACTED] Exh. 16 (Hassoun Depo.) 246:15-18 ("[REDACTED]"); *id* at 247:9-11 [REDACTED]⁹ Acacia's speculation about possible changes during synthesis does not change this conclusion.

Acacia argues that perhaps the infringing algorithm in the RTL code was not actually implemented in the Accused Products, or perhaps the synthesis tool used to manufacture the ASIC chip changed the algorithm in some unspecified way. Dkt.

⁹ Even Acacia's expert [REDACTED] Exh. 13 (Koralek) at 159:3-13.

83-1 at 20-21. Omitted from Acacia's brief is the testimony of ViaSat's expert

Exh. 16 (Hassoun) 246:14-18. Dr. Hassoun explained

Id. at 246:19-

247:11; *see also* 248:15-25 (“

¹⁰ Acacia's expert

. Exh. 13

(Koralek) 160:11-161:5; 164:2-165:9. Acacia's speculation, at best, creates an issue of fact.

Acacia asserts:

(emphasis in original).”

Acacia also offers highly edited testimony to claim that

¹⁰ Acacia did not actually produce its synthesized netlists in discovery. *See* Exh. 16 Hassoun 240:19-241:7; 242:7-11. As a result, Acacia is foreclosed from arguing that ViaSat cannot prove its case because its experts did not review these netlists. *See General Atomic Co. v. Exxon Nuclear Co., Inc.*, 90 F.R.D. 290, 308 (S.D. Cal. 1981) (“It is fundamental that a party that does not provided discovery cannot profit from its own failure.”); *Pacific Far East Line, Inc. v. R.J. Reynolds Industries, Inc.*, 1981 WL 2517, at *13 (N.D. Cal. Sep. 14, 1981).

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Exh. 16 (Hassoun) 254:21-255:7). As the complete question and answer and surrounding testimony indicate, Dr. Hassoun [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED].¹¹

Acacia also relies on the testimony of its own engineer Gary Martin, but Acacia overstates this evidence. The cited Martin testimony [REDACTED]

[REDACTED] Exh. 5 (Martin) 217:11-23. Martin [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] *Id.* at

¹¹Acacia also argues tha [REDACTED]

Dkt. No. 83-1 at 21.

[REDACTED]

136:12-137:2; 138:20-139:14.

2 H. Acacia's Use of the CORD Simulator Breached Section 8(b)

3 It is undisputed that Acacia used [REDACTED]
 4 [REDACTED]
 5 [REDACTED] Exh. 17 (Narayanan Report) at 58-66; *see*
 6 *also* Exh. 6 (Humblet) 82:20-83:9 (" [REDACTED]
 7 [REDACTED]
 8 [REDACTED]
 9 [REDACTED]"); Exh. 10 (Pellach) 150:2-
 10 151:3 ([REDACTED]
 11 [REDACTED]); *id.* at 154:19-22 [REDACTED]
 12 [REDACTED]. The CORD simulator falls within
 13 the contractual definition of Background Information and Licensed Materials under
 14 the parties' License Agreement. It was therefore a breach of the License Agreement
 15 to use [REDACTED]

16 [REDACTED] *See* Exh. 17 (Narayanan Report) at 58-66.

17 Acacia's argument that such use does not constitute reverse engineering
 18 ignores the text of the contract and established case law. First, the surrounding text
 19 of § 8(b) of the License Agreement makes clear the parties' intent to prohibit far
 20 more than just simple copying. Acacia may only use the Background Information or
 21 Licensed Materials for purposes of Licensed Products. This restriction prohibits
 22 modifications to the SDFEC or derivative works -- not just outright copies.

23 The court must construe the provisions of an agreement as a whole, giving
 24 effect to all provisions. *GMG Capital Investments, LLC v. Athenian Venture Partners I*,
 25 36 A.3d 776, 779 (2012). The meaning inferred from a particular provision cannot
 26 control the meaning of the entire agreement if such an inference conflicts with the
 27 agreement's overall scheme or plan. *Id.* The overall scheme of the License
 28 Agreement was to prevent the use of ViaSat's SDFEC materials to develop non-

1 royalty bearing products. The reverse engineering prohibition covers both copying
2 as well as developing modified products using the ViaSat SDFEC.

3 Reverse engineering includes more than just copying; it includes situations like
4 this, where the goal of the analysis is to develop an improved product. *See e.g. Bowers*
5 *v. Baystate Technologies, Inc.*, 320 F. 3d 1317 (Fed. Cir. 2003) (reverse engineering
6 “means ordinarily” to study or analyze (a device, as a microchip for computers) in
7 order to learn details of design, construction, and operation, perhaps to produce a
8 copy **or an improved version.**”) (citations omitted). In developing its Accused
9 Products, [REDACTED]

10 [REDACTED]. Exh. 15 (Narayanan Depo.) 176:11-14. Acacia’s emails
11 show [REDACTED]

12 [REDACTED] Exh. 17 (Narayanan Report) at 66 [REDACTED]
13 [REDACTED]
14 [REDACTED]
15 [REDACTED]
16 [REDACTED] Acacia’s characterization

17 of those activities as merely performance comparisons is an argument about what
18 the evidence shows. This argument raises, at best, disputed issues of fact.

19 Acacia’s contention that ViaSat suffered no damages as a result of Acacia’s
20 reverse engineering is meritless. The contract requires a royalty payment for any
21 product that incorporates “any part” of the Licensed Materials. By incorporating
22 ViaSat’s Licensed Materials and breaching its obligation to use them only for royalty
23 bearing products, Acacia deprived ViaSat of the benefit of its bargain. ViaSat has
24 substantial evidence of the damages caused by Acacia’s breaches. Exh. 20 (Prowse
25 Report); see also Fuerst Dec. ¶¶ 3-5. Indeed, Acacia’s expert [REDACTED]
26 [REDACTED]
27 [REDACTED]
28 [REDACTED] Exh. 18 (Vardy Report) ¶ 88. The value of that unique

1 technology [REDACTED]. See, e.g., Exh. 20 (Prowse Report) ¶¶ 25, 26;
 2 Dkt. No. 98-1 (Fitzgerald Dec., Exhs. 27-31). Whether the contract royalty rate or
 3 some other measure is appropriate to compensate ViaSat for the theft of its
 4 technology is a question for trial. Acacia is not entitled to summary judgment on
 5 liability, however, merely because it questions the amount of ViaSat's damages.

6 A contract need not specify what damages are available in the event of breach,
 7 in order for them to be recoverable. But that is what Acacia argues, in saying
 8 Section 8(b) "provides for no royalty payment." "One who is injured by the breach
 9 of a contract is entitled to compensation for the injury received. The compensation
 10 should be such as will place him in the same position that he would have been in if
 11 the contract had been performed. The measure of damages is the loss actually
 12 sustained as a result of the breach of the contract is that amount sufficient to place
 13 the non-breaching party in the same position as if the breach not occurred." *White v.*
 14 *Metropolitan Merchandise Mart*, 107 A. 2d 892 (1954). Here, had Acacia complied with
 15 the contract, it would have paid royalties on the backwards compatible products to
 16 ViaSat. Those unpaid royalties are the best measure of contract damages. "Doubts
 17 about the extent of damages are generally resolved against the party in breach. A
 18 party who has, by his breach, forced the injured party to seek compensation in
 19 damages should not be allowed to profit from his breach where it is established that
 20 a significant loss has occurred." *PharmAthene, Inc. v. SIGA Technologies, Inc.*, 2014 WL
 21 3974167 at *8 (Del. Ch. Aug. 8, 2014). ViaSat lost revenue from giving Acacia
 22 exclusivity in the 100 Gps market, lost royalties on products incorporating ViaSat's
 23 Background Information and Licensed Materials, and suffered the uncompensated
 24 use of valuable SDFEC technology that took millions to develop. Fuerst Dec. ¶ 4.

25 III. CONCLUSION

26 For the foregoing reasons, ViaSat respectfully requests that the Court deny
 27 Acacia's motion.

28 Dated: February 12, 2018

By: s/ *Kenneth M. Fitzgerald*

CERTIFICATE OF SERVICE

I certify that today I am causing to be served the foregoing document by CM/ECF notice of electronic filing upon the parties and counsel registered as CM/ECF Users. I further certify that, to the extent they are not registered CM/ECF Users, I am causing the foregoing document to be served by electronic means via email upon counsel for Acacia Communications, Inc., per the agreement of counsel.

Dated: February 12, 2018

s/ Kenneth M. Fitzgerald

Kenneth M. Fitzgerald, Esq.